

MOST-FAVORED-NATION TREATMENT FOR AREAS UNDER OCCUPATION OR CONTROL

Exchange of notes at Rome June 28, 1948

Entered into force June 28, 1948

Expired in accordance with its terms

62 Stat. 2913; Treaties and Other
International Acts Series 1829

The American Ambassador to the Minister of Foreign Affairs

F.O. No. 1445

ROME, June 28, 1948

EXCELLENCY,

I have the honor to refer to the conversations which have recently taken place between representatives of our two Governments relating to the territorial application of commercial arrangements between the United States of America and Italy and to confirm the understanding reached as a result of these conversations as follows:

1. For such time as the Government of the United States of America participates in the occupation or control of any areas in western Germany, Japan or southern Korea, the Government of Italy will apply to the merchandise trade of such areas the provisions relating to the most favored nation treatment of the merchandise trade of the United States of America set forth in the Treaty of Friendship, Commerce and Navigation, signed February 2, 1948¹ and, pending the entry into force of such Treaty, in the exchange of Notes on commercial policy of August 14, 1947,² or, for such time as the Governments of the United States of America and Italy may both be contracting parties to the General Agreement on Tariffs and Trade, dated October 30, 1947,³ the provisions of that agreement, as now or hereafter amended, relating to the most favored nation treatment of such trade. It is understood that the undertaking in this paragraph relating to the application of the most favored nation provisions of the Treaty of Friendship, Commerce and Navigation shall be subject to the exceptions recognized in the general agreement on tariffs and trade permitting departures from the application of most favored nation treatment, and that the undertaking relating to the exchange of notes

¹ TIAS 1965, *ante*, p. 261.

² TIAS 1757, *ante*, p. 215.

³ TIAS 1700, *ante*, vol. 4, p. 641.

on commercial policy shall be subject to such exceptions and to the exceptions recognized in the Treaty of Friendship, Commerce and Navigation; provided that nothing in this sentence shall be construed to require compliance with the procedures specified in the general agreement with regard to the application of the exceptions in the general agreement.

2. The undertaking in point 1 above will apply to the trade of any area referred to therein only for such time and to such extent as such area accords reciprocal most favored nation treatment to the merchandise trade of Italy.

3. The undertakings in points 1 and 2 above are entered into in the light of the absence at the present time of effective or significant tariff barriers to imports into the areas herein concerned. In the event that such tariff barriers are imposed, it is understood that such undertakings shall be without prejudice to the application of the principles set forth in the Habana Charter for an International Trade Organization⁴ relating to the reduction of tariffs on a mutually advantageous basis.

4. It is recognized that the absence of a uniform rate of exchange for the currency of the areas in western Germany, Japan or southern Korea referred to in point 1, above, may have the effect of indirectly subsidizing the exports of such areas to an extent which it would be difficult to calculate exactly. So long as such a condition exists, and if consultation with the Government of the United States of America fails to reach an agreed solution to the problem, it is understood that it would not be inconsistent with the undertaking in point 1 for the Government of Italy to levy a countervailing duty on imports of such goods equivalent to the estimated amount of such subsidization, where the Government of Italy determines that the subsidization is such as to cause or to threaten material injury to an established domestic industry or is such as to prevent or materially retard the establishment of a domestic industry.

5. The undertakings in this note shall remain in force until January 1, 1951, and unless at least six months before January 1, 1951, either Government shall have given notice in writing to the other of intention to terminate these undertakings on that date, they shall remain in force thereafter until the expiration of six months from the date on which such notice shall have been given.

Accept, Excellency, the renewed assurances of my highest consideration.

JAMES CLEMENT DUNN

His Excellency

Count CARLO SFORZA,

*Minister of Foreign Affairs,
Rome.*

⁴ Unperfected; for excerpts, see *A Decade of American Foreign Policy: Basic Documents, 1941-49* (S. Doc. 123, 81st Cong., 1st sess.), p. 391.

The Minister of Foreign Affairs to the American Ambassador

[TRANSLATION]

THE MINISTRY OF FOREIGN AFFAIRS

ROME, June 28, 1948

EXCELLENCY:

In a letter dated today Your Excellency was so good as to communicate to me the following:

[For text of U.S. note, see above.]

I have the honor to inform you that the Italian Government is in accord with the foregoing.

I welcome the occasion, Excellency, to renew to you the assurances of my highest consideration.

SFORZA

His Excellency

JAMES CLEMENT DUNN

Ambassador of the United States of America
Rome